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Assistance to Myanmar

Note by the Administrator

Summary

The present report contains the major conclusions, recommendations and strategic challenges identified by a two-member international independent assessment mission of the Human Development Initiative (HDI), phase IV (2002-2005). The mission carried out its work in Myanmar during the period 4 to 29 July 2005, in accordance with the guidelines set out in Executive Board decisions 98/14 of 19 June 1998, 2001/15 of 14 September 2001, 2003/2 of 23 January 2003, 2004/2 of 30 January 2004, and 2005/3 of 28 January 2005. The report of the previous HDI assessment mission was presented to the Board in January 2005.

The Administrator notes that: (a) the 2005 HDI assessment mission was carried out in July 2005; and (b) a preliminary oral report on key findings of the mission was presented to the Executive Board at its second regular session in September 2005 by the Resident Representative. The mission concluded that all components of the HDI-IV programme have been designed and are being implemented in full conformity with the decisions of the Executive Board. The mission also highlighted some key challenges and made recommendations that the Board may wish to consider for implementation under the HDI. The full text of the report of the independent assessment mission is available at the website of the Executive Board secretariat.

Elements of a decision

The Executive Board may wish to: (a) take note of the present document and of the report submitted by the independent assessment mission to Myanmar, in particular the strategic challenges and recommendations mentioned therein; and (b) request that the Administrator take account of and implement the findings of the independent assessment mission, as appropriate, under the HDI.

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I. Background and purpose

1. Since 1993, UNDP assistance to Myanmar has been carried out in compliance with the guidelines established in Governing Council decision 93/21 and Executive Board decisions 96/1, 98/14, 2001/15, 2003/2, 2004/2 and 2005/3. In accordance with these decisions, resources are targeted towards critical humanitarian and basic human needs in Myanmar at the grass-roots level in the areas of primary health care, the environment, HIV/AIDS, training and education, and food security. Projects have been formulated and coordinated within a framework entitled the Human Development Initiative (HDI).

2. The first phase of the HDI (15 projects) was implemented between 1994 and 1996. The second phase extension (HDI-E) comprised 10 projects, which were concluded in late 1999. HDI phase III projects were initiated in late 1999 pursuant to Executive Board decision 98/14.

3. HDI-IV started in 2002 and was recently extended for two years by unanimous approval of the Executive Board at its second regular session 2005, until the end of 2007. It has six constituent projects, the three largest of which are concentrated on integrated community development and micro-finance in 24 townships in remote rural areas in the country, now being expanded to a further 40 townships. The other three HDI-IV projects are oriented towards a national focus on HIV/AIDS, and comprehensive surveys on rural poverty and agriculture. The total TRAC allocation for HDI-IV is $22 million.

4. In its decision 2004/2, the Executive Board reaffirmed the earlier Governing Council and Executive Board decisions. The Board also requested the Administrator to take into account the findings of the independent assessment mission, as appropriate, during phase IV of the HDI.

5. As in previous years, the 2005 HDI independent assessment mission explored in detail the question of conformity of HDI-IV with the earlier decisions, which had provided the framework for UNDP assistance to Myanmar. Accordingly, the results of the mission are being presented to the Board at its current session. The Resident Representative made a verbal presentation of preliminary findings at the second regular session of the Executive Board in September 2005.

6. The present report contains the major findings, conclusions and recommendations of a two-member international independent assessment mission to Myanmar conducted from 4 to 29 July 2005. The mission examined global HDI issues, conformity with the original mandate, and challenges and constraints in the implementation of project activities.

II. Conformity with original mandate of the Governing Council and the Executive Board

7. Throughout its extensive consultations and field visits, the mission explored in detail the question of conformity of HDI phase IV with the earlier decisions of the Governing Council and the Executive Board. The mission concluded that HDI-IV projects had been designed, and are being implemented, in full compliance with these decisions.

8. The mission considers that HDI-IV is having a highly positive impact on rural poverty in Myanmar, is seriously addressing the complicated issues of sustainability in a difficult environment, and holds much promise as a model for future efforts to address poverty in the country.

9. However, the mission is concerned that, despite the progress shown by HDI-IV, poverty and vulnerability across the country are growing, and feels that the situation justifies the expansion of HDI-IV to new townships, as well as consideration of increased international assistance for humanitarian purposes.

10. The mission also notes that engagement with the Government, approved for the agricultural survey and the integrated household living conditions assessment, could valuably be extended to other areas of policy dialogue on poverty. The report documents some key challenges facing HDI and makes recommendations for further improving the impact of the programme on the welfare of the poor in Myanmar.

III. Assessment by the independent mission

11. Within the framework of the Executive Board mandate, UNDP assistance under HDI-IV is geared towards addressing the socio-economic conditions of the rural poor in Myanmar to the greatest extent possible. The rural landless and marginal farmers constitute the main elements of rural poverty in Myanmar. An estimated 70 per cent of the poor live in rural areas and depend solely on agriculture. However, agricultural production is not sufficient to sustain their livelihoods and appears to be moving in a downward trend.

12. The agricultural sector review released in the autumn of 2005 noted that "the available data appears to indicate stagnant [agricultural] productivity growth and rising rural poverty since the mid-1990s". It also found that nearly half of all rural families are landless. Rural landlessness is continuing to grow as a result of population growth and the failure of marginal farmers to survive in the face of erratic prices for agricultural commodities and rising input costs.

13. The situation is made worse by price inflation, estimated at just under 20 per cent in the 12 months before mid-2005, resulting in a decline of real wage rates by about 10 per cent. With incomes so low, the average household in Myanmar spends two-thirds of its income on food, and chronic malnutrition is widespread. Equally worrisome is the downward trend in environmental degradation.

14. The vulnerability of the poor is further exacerbated by the burden of disease. Myanmar has the third highest rate of HIV/AIDS in Asia, with sentinel surveys in 2003 showing a prevalence rate of 1.25 per cent. HIV/AIDS is spreading from high-risk groups to the general population, fuelled by high rates of migration by people seeking work both within and outside the country. Myanmar has one of the highest rates of tuberculosis in the world, with nearly 100,000 new cases being detected each year, and tuberculosis resistance to multi-drugs is rising rapidly. Malaria is the leading cause of morbidity in the country, with 600,000 cases reported each year.

A. The UNDP approach

15. Since the 2004 independent assessment, the HDI and the environment in which it works have seen a number of significant developments. A geographical expansion of HDI-IV approved by Government in March 2005 has already been initiated in the

field. Before that time, HDI-IV concentrated its activities on 24 townships. Under the approved expansion, HDI-IV is to undertake project activities in a further 40 townships, bringing the total to 64 townships – one-fifth of the total townships in the country. By July 2005, UNDP had initiated work in 29 expansion townships, at least to the extent of opening offices and recruiting staff. Some field work had also started, bringing the number of villages supported by HDI-IV to 4,244 (from 3,850 villages in August 2004).

16. The mission declared itself profoundly impressed by the speed with which the expansion had been initiated and commended the dedication and hard work of both UNDP and project staff, noting that this had been accomplished while progress had also been recorded in other aspects of the programme. The mission underlined the fact that despite evidence of growing humanitarian needs in Myanmar, it is becoming more difficult for UNDP, as well as for international non-governmental organizations (NGOs) and other United Nations organizations, to provide humanitarian assistance, due to various measures taken by the Government – as well as external pressures, in the case of UNDP.

17. Yet opportunities have emerged, inasmuch as official attitudes towards HIV/AIDS have become more receptive in the past 12 months, and steps taken by the government to clarify the legal framework for microfinance may provide the international community with an entry point to advocate for pro-poor policy setting that adheres to international standards.

18. The HDI-IV has placed a heavy emphasis on mobilizing and organizing communities, with a sharp focus on the poor in the target villages. The core of HDI-IV comprises two large inter-sectoral projects, supported by four other projects: (a) the Community Development in Remote Townships (CDRT) project, targeting poor communities in remote border areas; (b) the Integrated Community Development Project (ICDP), drawing together inputs provided earlier by sectoral projects; (c) the Sustainable Microfinance to Improve the Livelihoods of the Poor project, which has been operating in the same townships as ICDP; (d) the HIV/AIDS project, now redesigned to support CDRT and ICDP; (e) the Agricultural Sector Review, just completed, which was designed to identify pro-poor policies and define investment needs to stimulate broad-based agricultural growth; and (f) the Integrated Household Living Conditions Assessment, an extensive survey to assess the extent and nature of poverty in Myanmar.

B. HDI progress

19. The CDRT project originally targeted communities located in 13 townships in Rakhine, Chin and Kachin States. It has now expanded its activities to an additional 13 townships in those states, and in Mon and Kayin. Key features of the CDRT project include the formation of self-reliance groups (SRGs), income generation activities, and community activities for creation of employment opportunities and infrastructure facilities at the village level, such as schools and health centers. CDRT has been particularly successful in recruiting staff from the immediate locality, thus improving access to the villages and developing resource people in the villages.

20. The Integrated Community Development Project (ICDP) is the largest of the HDI-IV projects, with current activities in 2,310 villages across 11 townships. Since March 2005, ICDP has begun its expansion into 16 additional townships. By July

2005, new offices had been opened in nine townships, staff recruitment had begun and some villages had been selected for project operations. The focus has been to help SRGs organize themselves into strong, sustainable entities, increasing their capital and engaging them in activities that benefit individual members, as well as the village as a whole.

21. The 2004 assessment mission emphasised the imbalance in project expenditure in favour of infrastructure (80 per cent) as opposed to livelihood improvement (20 per cent). ICDP has made impressive strides in the recommended direction, with 69 per cent of the approved expenditures by June 2005 invested in livelihood improvement and 31 per cent in infrastructure.

22. The microfinance project has been in operation for eight years, working through three microfinance organizations to provide credit and savings services to groups of five women in 2,229 villages in 11 townships in Delta, Dry Zone and Shan State. The project has expanded from 100,000 active clients in mid-2004 to 145,000 in mid-2005.

23. As of March 2005, the project had capital assets of $5.6 million and its average loan size had increased from $32 to $38, in line with estimated local inflation rates. The project has continued to increase efficiencies and to demonstrate that the poor are bankable. Repayment rates have remained at a remarkable 99 per cent.

24. The vulnerability assessment undertaken by EDA Rural Systems in mid-2004 shows that the sub-project in Delta has had a positive impact on income and asset ownership of borrowers. Thirty per cent of rural landless households taking loans have subsequently been able to buy land. While almost all borrowers are poor, the project does not generally reach the very poor, who cannot meet the requirements for regular loan repayments, savings and meetings.

25. Institutionalization remains the biggest challenge for the project. The mission views the steps taken by the Ministry of Cooperatives in early 2005 to draft a legal framework for the microfinance sector as an opportunity to resolve long-standing issues of institutionalization, sustainability and expansion.

26. The UNDP HIV/AIDS project has been instrumental in drawing attention to the HIV/AIDS situation in the country, with assistance to the National AIDS Programme and to community-based organizations working on awareness prevention and caring for those with the disease. Decisions were taken in late 2004 to phase out the high-cost elements (such as testing equipment, test kits and social marketing of condoms) and to re-design the project for greater synergy with the ICDP and CDRT. The redesigned project emphasizes working with community groups on increasing awareness of HIV/AIDS and on preventive measures. Progress includes: a training package developed and pre-tested in selected ICDP and CDRT areas; pilot training of CDRT township facilitators; pilot training of SRGs; and the analysis of partnerships with community-based organizations to determine what works best in terms of their sustained engagement in HIV and development.

27. As mandated under Executive Board decision 2001/15, an agriculture sector review started implementation under HDI-IV. The goal of the project was to identify issues and define investment needs to stimulate broad-based agricultural growth. The now-completed report of the review provides a solid analysis of the disappointing growth of agriculture in Myanmar over recent decades, which has

contributed to declining real incomes and growing poverty in rural areas. The report covers a range of important issues designed to reverse these trends and stimulate broad-based agricultural growth.

28. Over the past year, the integrated household living conditions assessment, which started in September 2003, completed two rounds of quantitative surveys. In each round, the sample size was a massive 18,000 households, covering all States and Divisions in the country. Overall, the project is very much on track (if more expensive than originally anticipated) and seems likely to fulfill its promise as the largest and most important source of information on the nature, extent and causes of poverty in Myanmar.

29. The terms of reference for the current assessment mission include a review of the follow-up actions to implement the 2004 recommendations. Overall, the mission considers that UNDP has made impressive progress in following up on last year's recommendations: the HDI has been reoriented toward greater emphasis on livelihoods and income generation; the HIV/AIDS project has been refocused to provide technical support to ICDP and CDRT to train SRGs on HIV/AIDS awareness-raising; the planning and initial implementation of the HDI expansion has been soundly conceived and rapidly pursued, focusing on livelihood improvement with an appropriate emphasis on qualitative rather than quantitative delivery targets; there has been some progress in evolving the SRG model; and a standard package for disaster preparedness is being planned.

30. Progress has been more limited in the following areas: using the HDI experience to serve as a voice for the poor; undertaking a systematic, cost-effective programme to assess the impact of HDI on poverty; and developing effective alliances and partnerships with other organizations to help bring about policy change, draw in additional resources, or enhance sustainability. Collaboration between HDI projects has improved somewhat.

IV. Key challenges and recommendations

31. This chapter summarizes the key challenges facing HDI, derived from the assessment presented in the report, and makes recommendations designed to improve further the impact and sustainability of the programme in the interests of the welfare of the rural poor in Myanmar. These are presented in chapter 8 of the report and include the following:

32. The situation of the rural poor continues to worsen. This makes it essential that the programme activities funded by HDI-IV, as the largest externally funded source of support to the rural poor in Myanmar, proceed without interruption. The programme is not only having a substantial direct impact on a large number of poor people, but also shows promise as a model for policies and other programmes to extend the benefits more widely.

33. Noting at the time of writing their report that the HDI-IV officially ended on 31 December 2005, the mission strongly recommended the approval of a two-year extension of HDI-IV to December 2007, with adequate funding to implement the expansion plan.

34. The mission believes that completion of the work in the expansion townships will require an additional phase beyond 2007. Thus, it also recommends that 2006

should be used to plan a further phase of HDI, as well as a systematic exit strategy from the 24 original townships.

35. While there is real evidence of progress among the SRGs, the mission is concerned that HDI-IV does not have a clear strategy for their longer-term sustainable development. As HDI begins to envisage withdrawal from the original 24 townships, the mission deems it essential that a clear plan be put in place to ensure continued technical assistance and training to SRGs after HDI withdraws. Possible sources for these services include local NGOs, groupings of people trained in HDI projects, and local companies. The plan should also consider the provision of additional credit to SRGs; the further encouragement of SRG involvement in village-wide issues; a plan to protect the autonomy and independence of the SRGs; and an examination of possible ways to encourage men in the villages to continue to support the SRGs.

36. The mission expressed the view that the legislation on microfinance currently being drafted by the Government represents an opportunity for microfinance projects in Myanmar to resolve long-standing issues of institutionalisation, sustainability, access to additional capital, and expansion, *provided that* the legislation meets international norms and standards for the effectiveness and independence of the microfinance sector. On this basis, the mission recommends the provision by the international community (UNDP if possible, or another United Nations organization), as a matter of urgency, of the technical assistance requested by the Government to establish a microfinance law that meets international standards, will best suit Myanmar microfinance operations, and will buttress the sustainability of those operations.

37. The mission recommends that UNDP should articulate, in writing: an exit strategy from the 24 original townships, designed to ensure that HDI withdrawal preserves the gains that have been achieved in those areas; and an entry strategy for the 40 expansion townships. Key elements of these strategies should be: (a) replicability, particularly to spread some benefits of the programme to neighbouring villages and areas; (b) efficiency, to emphasize the most cost-effective elements of the programme; and (c) sustainability.

38. One of the greatest challenges facing HDI-IV is the lack of systematic documentation of the lessons learned from the programme, its impact and benefits, and its cost-effectiveness. The mission recommends that HDI-IV urgently take steps to quantify its impact and benefits through a series of village case studies and regular comparison by field staff of the current situation with data originally collected in villages, and initiate a series of cost-effectiveness studies of significant programme components. The mission also recommends that UNDP develop an information strategy to allow knowledge and lessons learned to be disseminated more widely.

39. The mission feels that UNDP is in a unique position to serve as a voice for the poor, to represent their concerns to the Government and to press for improved policies and practices that benefit the poor. In this light, the mission recommends that UNDP should evolve a strategy and capability to advocate, at the national level, pro-poor policies derived from its experience and studies. To support this endeavour, UNDP should make a final determination of the structure, lines of responsibility, functions, staffing and budget for its Policy and Planning Unit.

40. With respect to programme management and integration, the mission recommends that UNDP actively seek greater collaboration between projects, especially through regular exchange visits by staff, joint training of staff and production of training materials, and reviving the pilot project in Dry Zone involving microfinance and SRGs. UNDP should also assess decision-making in the community development project it executes directly and should test greater decentralization of decisions.

41. The overall goals of HDI-IV in tackling poverty in Myanmar call for UNDP to engage in a broader range of partnerships. The mission therefore recommends that UNDP: actively explore closer collaboration with other United Nations organizations; intensify its efforts to inform the diplomatic and donor community about the impressive results of HDI-IV and about policy constraints affecting poverty; take the lead in a more systematic dialogue with local and international NGOs on issues affecting rural development; and arrange exchange field visits between HDI and NGO projects.

V. Conclusions of the independent mission

42. The assessment mission concluded that HDI-IV is continuing to build on its strengths and achievements. The three main field projects are appropriate and effective in tackling rural poverty among nearly two million people. The expansion plan is well conceived, has started expeditiously, and shows great promise. The other three projects are well placed to provide needed support to the field projects and to address policy constraints.

43. Important challenges remain, including: (a) the long-term sustainability of the gains; (b) using HDI-IV experience to impact policies positively; (c) improving programme efficiency to reach a larger number of people; and (d) enhancing the capacity of the programme to assess impact and learn lessons.

44. According to the mission, the most disquieting finding is the growing evidence of a trend of increasing poverty and vulnerability in Myanmar. This trend provides further justification for the continuation and expansion of HDI-IV. Specifically, the mission recommends a two-year extension of the current phase, followed by at least one additional phase.